

Message Text

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43

ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-06 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-03

SIL-01 /075 W

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P 121436Z NOV 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 4555

UNCLAS TEL AVIV 6518

E O 11652: N/A

TAGS: EFIN, ECON, IS

SUBJECT: ISRAEL'S EMERGENCY ECONOMIC PROGRAM

REF: TEL AVIV 6424

1. IN ADDITION TO REFTEL, ISRAEL'S EMERGENCY ECONOMIC PROGRAM ANNOUNCED NOV 10 INCLUDES FOLLOWING PROVISIONS:

A. BASIC IMPORT LEVY REDUCED FROM 35 TO 15 PERCENT FOR EFFECTIVE RATE OF EXCHANGE FOR IMPORT OF IL 6.90 COMPARED TO PREVIOUS IL 5.67 PER DOLLAR, A 22 PERCENT INCREASE.

B. EXPORT INCENTIVES REDUCED BY APPROXIMATELY 20 PERCENT FOR EFFECTIVE EXPORT RATE OF EXCHANGE FROM IL 7.08 TO IL 7.30, DEPENDING ON VALUE ADDED, COMPARED TO IL 5.88 TO IL 6.04 PER DOLLAR PREVIOUSLY.

C. REDUCTION IN GOI SUBSIDIES ON BASIC COMMODITIES BY ONE-HALF, I.E., IL 2.5 BILLION (DOLS 411 MILLION) ANNUALLY, WITH BASIC FOOD PRICES INCREASED BY AVERAGE OF APPROXIMATELY 100 PERCENT.

D. INCREASE INPUBLIC TRANSPORT FARES BY 40 PERCENT DEC 1.

E. INCREASE ELECTRICITY RATES BY AVERAGE 70 PERCENT AND WATER PRICES BY OVER 100 PERCENT.

F. INCREASE SERVICE TAX ON BANKS AND INSURANCE COMPANIES UNCLASSIFIED

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FROM 3.5 TO 5 PERCENT.

G. INCREASE OF 43 PERCENT IN INTERNATIONAL TELEPHONE AND
POSTAL RATES AS WELL AS PORT AND AIRPORT FEES

H. INCREASE IN CAPITAL GAINS TAX FROM 40 TO 50 PERCENT.

I. INCREASE OF TAX DEDUCTIONS ON DIVIDENDS WITHHELD AT
SOURCE FROM 30 TO 35 PERCENT.

J. ADDITIONAL INDIRECT TAXES (SALES AND/OR CUSTOM DUTIES)
OF 10 TO 20 PERCENT ON 39 COMMODITIES SUCH AS AUTOMOBILES,
FURNITURES, SEWING MACHINES, PHONOGRAPHS, TOYS, ETC.

K. OFFICIAL TRAVEL WILL BE MINIMIZED. CURRENCY ALLOCATION
FOR STUDENTS ABROAD RESTRICTED. CURRENCY ALLOWANCE FOR TRAVELLING
BUSINESSMEN REDUCED FROM DOLS 65 TO DOLS 50 PER DAY PER
MAXIMUM 21 DAYS.

L. INVENTORY SURCHARGE TO PREVENT PROFITEERING FROM
DEVALUATION.

M. CREDIT FREEZE FOR 3 REPEAT 3 MONTHS AND NOT
SIX MONTHS AS REPORTED REFTEL.

2. EMB FORWARDING COMPLETE DETAILS BY POUCH.
KEATING

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NNN

Message Attributes

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